

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Real Estate – Activity Status Report

ITEM NUMBER: 11

ATTACHMENT(S): 2

ACTION: \_\_\_\_\_

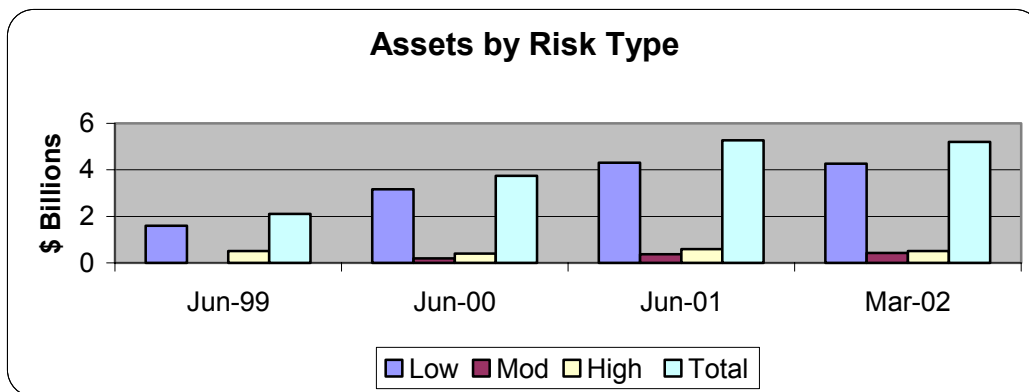
DATE OF MEETING: May 1, 2002

INFORMATION: X

PRESENTER(S): Mike DiRé and Hank Thomas

In accordance with the Investment Management Plan, CalSTRS has established an allocation for investment real estate to 7% of the total assets. The primary role of investment real estate is to improve diversification of the overall investment portfolio. Secondary objectives are to generate an enhanced yield to the actuarial plan rate assumption, and to provide stable cash flows. The real estate portfolio will incorporate a combination of low, moderate, and high risk real estate investment strategies to implement the approved plan.

The table and charts below show the growth of the overall real estate portfolio over the past four years.

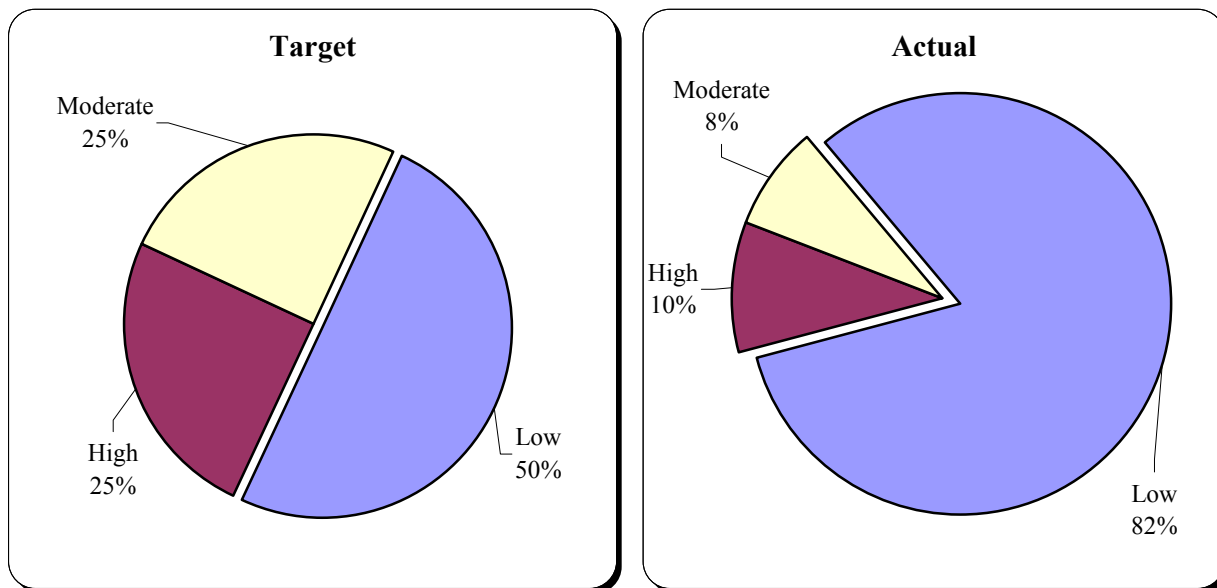


**Growth of Real Estate Portfolio**

	Jun-99	Jun-00	Jun-01	Mar-02
Low	\$1,597	\$3,152	\$4,300	\$4,258
Mod	\$0	\$189	\$368	\$428
High	\$511	\$399	\$602	\$510
Total	\$2,108	\$3,740	\$5,270	\$5,196

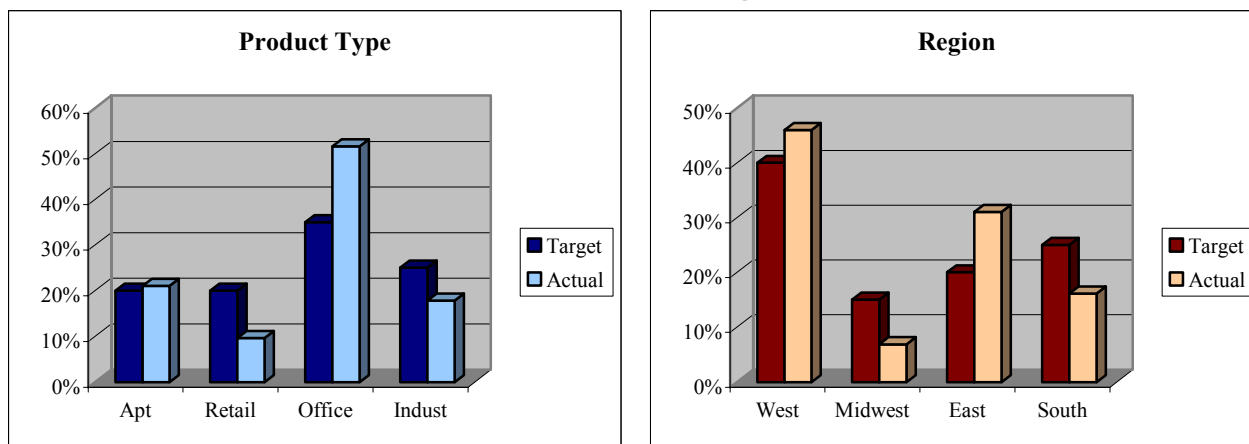
Graph shown in billions, table shown in millions

### Targeted Risk Allocation Versus Actuals



The Low Risk portfolio is managed subject to diversification guidelines by product type and by regional area in the United States. The target allocation and the portfolio holdings as of March 2002 are shown below.

### Low Risk Portfolio - Target vs. Actual



Attachment 1 contains a summary of high risk opportunity fund commitments and capital accounts since inception. Attachment 2 identifies specific transactions closed during the prior month and joint venture partnership activity to date.

## CalSTRS REAL ESTATE OPPORTUNITY FUND ACTIVITY STATUS REPORT COMMITMENTS AND CAPITAL SUMMARY

As of March 31, 2002

Opportunity Fund		Date Fund Closed	Fund Size	STRS Commitment	Amount Funded by STRS	Unfunded Commitment	Since Inception	
							Returned Capital	Income Received
Colony II		Apr-95	\$625,000,000	\$150,000,000	\$145,829,147	\$0	\$81,461,126	\$51,576,270
M.Stanley II	(1)	Nov-95	1,051,000,000	200,000,000	253,928,985	0	156,108,396	165,018,363
Lazard Freres		May-96	645,000,000	150,000,000	150,000,000	0	55,437,571	38,388,077
Lazard Freres - Co-Investmen		May-96						
AAC/UDR	(2)		26,984,444	26,984,444	26,984,444	0	26,984,444	23,511,286
Dermody	(3)		19,841,270	19,841,270	19,841,270	0	0	8,478,940
William E. Simon & Sons		Jan-01	306,650,000	76,662,500	60,788,678	15,873,822	0	0
William E. Simon - Co-Investmen								
SKS	(4)	Jan-01	57,223,810	40,056,667	37,822,069	2,234,598	3,237,911	1,248,371
CIM Urban Real Estate Fund		Mar-01	178,947,369	45,000,000	2,444,490	42,555,511	1,541,976	0
Soros Real Estate Investor		Jul-01	1,000,000,000	75,000,000	27,819,449	47,180,551	0	0
M.Stanley IV		Dec-01	2,250,000,000	200,000,000	28,388,833	171,611,167	0	1,891,780
Lone Star IV		Dec-01	2,278,787,879	200,000,000	115,940	199,884,060	0	0
TOTALS				\$1,183,544,881	\$753,963,304	\$479,339,709	\$324,771,424	\$290,113,087

- (1) "Amount Funded by CalSTRS" amount includes reinvestment proceeds, per Partnership Agreement.  
(2) CalSTRS co-investment is in American Apartment Communities/United Dominion Realty Trust, Inc.  
(3) CalSTRS co-investment is in DP Operating Partnership Limited (Dermody).  
(4) CalSTRS co-investment is in SKS, an office development platform in San Francisco.

CalSTRS REAL ESTATE DIRECT ACQUISITIONS and DISPOSITIONS

March 31, 2002

**ACQUISITIONS**

<u>Property</u>	<u>ADVISOR</u>	<u>TYPE</u>	<u>RISK</u>	<u>LOCATION</u>	<u>AMOUNT</u>	<u>DATE FUNDED</u>	<u>IRR *</u>
No Activity							
Total Acquisitions					\$ -		

**DISPOSITIONS**

Pacific Northwest Group A (4 buildings)	Lend Lease	Industrial	Low	Seattle, WA	\$ 5,266,181	March 6, 2002	13.6%
Briar Meadows Apartments	MIG Realty Advisors	Apartment	Low	Houston, TX	\$ 14,346,225	March 18, 2002	8.4%
Isles at Sawgrass Apartments	MIG Realty Advisors	Apartment	Low	Ft. Lauderdale, FL	\$ 25,357,085	March 28, 2002	8.1%
Total Dispositions					\$ 44,969,491		

\*Since inception, after fee IRR to CalSTRS

CalSTRS REAL ESTATE JOINT VENTURE PARTNERSHIPS

March 31, 2002

<u>Partnership</u>	<u>Fiduciary</u>	<u>Initial Funding Date</u>	<u>Type</u>	<u>Risk</u>	<u>Location</u>	<u>Commitment</u>	<u>Since Inception Amount Funded</u>	<u>Unfunded Commitment</u>
SF Waterfront Partners, LLC	The McMahan Group	October 24, 2001	Office/Mixed	High	San Francisco (Urban)	\$ 12,700,000	\$ 1,632,097	\$ 11,067,903
Total JV Partnerships						\$ 12,700,000	\$ 1,632,097	\$ 11,067,903